

Uruguay

Economic Summary



Uruguay is a market-oriented economy in which the State still plays a certain role. The economy performed well during most of the nineties, but in 1999-2002 underwent its steepest banking and financial crisis in recent history, mostly caused by external factors. As a result, per capita GDP plummeted from \$6,300 in 1998 to about \$3,700 in 2002. The economy recovered slightly in 2003 and boomed in 2004, with a 12% growth rate.

The left-of-center Frente Amplio, which took office in March 2005, continued implementing an orthodox macroeconomic policy, and promptly signed agreements with the IMF, the World Bank and the IDB. Over six percent growth in 2005 drove real GDP back to its pre-crisis levels. Growth of 4%-5% is expected for 2006.

Uruguay has largely diversified its trade in recent years and reduced its longstanding dependency on Argentina and Brazil. It is a founding member of MERCOSUR, the Southern Cone trading bloc also composed of Argentina, Brazil and Paraguay. The MERCOSUR Secretariat is located in Montevideo.

Imports from the United States plunged during the crisis but, following the economic upturn, resumed a sound pace of growth of 16% per year. U.S. market share of total imports steadily declined from 12% in 1998 to 7% in 2005. The U.S. mostly sells high-tech and capital goods. Booming beef sales turned the U.S. into Uruguay's largest single market in 2004/2005. Moreover, the U.S. is buying virtually the same dollar-value of Uruguay's exports as Mercosur as a whole.

While the crisis impacted on poverty levels and caused substantial migration, social indicators remain outstanding by Latin American standards. The U.N. Economic Commission for Latin America and the Caribbean ranks Uruguay as the only Latin American country with a "low" degree of inequality.

The investment climate is generally positive. Investments are allowed without prior authorization, foreign and national investors are treated alike, and there is fully free remittance of capital and profits. About ninety American firms operate in Uruguay and, according to the U.S. Dept. of Commerce, the stock of U.S. direct investment amounts to \$656 million. In 2006, Parliament ratified a Bilateral Investment Treaty with the United States.

GENERAL INDICATORS

Area:	68,036 sq. miles	About the same as Oklahoma
Population:	3.2 million people	
Annual Population Growth Rate:	0.3%	
Montevideo (Capital):	43% of total population	
Type of Government:	Representative Democracy	
Life Expectancy at Birth:	74.6 years	
Home owners:	66.0%	
Literacy Rate:	97.7%	
Households with access to safe water:	98.0%	
Poverty level (% of households):	21.9% (2004)	
Absence of ethnic problems		

REAL SECTOR

Gross Domestic Product (GDP): \$16.8 billion (2005), \$13.2 billion (2004), \$11.2 billion (2003)

GDP Real Growth Rate: 6.6% (2005), 11.8% (2004), 2.2% (2003)

GDP Per Capita: \$5,200 (2005), \$3,900 (2004), \$3,307 (2003)

Industrial Production: 18% of GDP. Grew by 9.5% in 2005.

Principal sectors: food, beverages & tobacco, chemicals, textiles.

Agriculture & Livestock: 12% of GDP. Grew by 3.2% in 2005

Large areas devoted to livestock grazing, forestry, sunflower and rice.

Commerce, Restaurants & Hotels: 11% of GDP. Grew by 12% in 2005.

Other Services: Approximately 50% of GDP.

Budget Deficit (% GDP): -0.9% (2005), -2.2% (2004), -3.2% (2003)

Gross Public Debt: \$13.9 billion (2005), 83% of GDP. Down from 101% of GDP in 2004.

Main Taxes: 23% VAT; 30% Corporate Tax; no Personal Income Tax (GOU plans to introduce one as part of a major tax reform.)

LABOR

Labor Force: 1.3 million (1.1 million job holders, 155K unemployed)

Unemployment Rate: 12.1% (Avg. '05), 13.3% (Avg. '04)

Official Minimum Wage Rate: \$82 per month (February 2005)

Average Monthly Household Income: \$596 (December 2005)

Unionization: Estimated at about 15.0% of the workforce (as 2004), but growing significantly due to major changes in labor regulations

EXTERNAL ACCOUNTS

EXPORTS (Goods, FOB): \$3.4 billion (2005; rose 16% over 2004)

Partners: U.S., E.U., Brazil, Argentina

Commodities: Meat, Rice, Leather, Wool, Fish, Dairy Products

Exports to U.S.: \$761 million (22% of 2005 total; grew 32% over 2004)

Commodities to U.S.: Meat, Gasoline, Leather, Cheese, Wood, Fish

IMPORTS (CIF): \$3.9 billion (2005; grew 24% over 2004)

Partners: Brazil, Argentina, E.U.

Commodities: Oil & Fuels, Machinery & Equipment, Fertilizers, Wheat

Imports from U.S.: \$259 mill. (7% of 2005 total; 18% growth over 2004)

Commodities from the U.S.: Computers & Parts, Fertilizers, Radio, TV & Telephony Equipment, Medical Equipment, Medicines.

Import Tariffs vary between 0 and 35%. Mean tariff is 13%.

No import quotas apply.

Current Account Balance (% of GDP): -0.5% (2005.), +0.3% (2004)

MONEY & PRICES

Inflation Rate (CPI): 4.9% (2005), 7.6% (2004), 10.2% (2003)

Exchange Rate: Uruguayan pesos per U.S. dollar = 24.2 (March 2006)

M1: \$1.3 billion (Dec. 2005)

Annual interest rates charged on loans:	In UY pesos	In US\$
Preferential	11-18	7-8
Intermediate	14-23	9-11
Personal	29-35	11-12

U.S. Embassy Montevideo

Updated: April 2006

For further information contact Econ Unit at
(5982) 418-7777 or pagllamx@state.gov